GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:309
ANSWERED ON:20.11.2002
PERFORMANCE OF BSNL
AJAY CHAKRABORTY

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether the financial performance of the Bharat Sanchar Nigam Ltd. has deteriorated after its corporatisation and an estimated financial burden of over Rs. 7000 crore is likely to fall on it in the years 2002-2003;

(b) if so, the details thereof; and

(c) the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRIMATI SUMITRA MAHAJAN)

(a) While the financial performance of Bharat Sanchar Nigam Limited in terms of total revenue growth has not deteriorated, but there is an estimated additional financial burden due to corporatisation of Rs. 6460 crores in 2002-2003 which may have an impact on development / expansion plans of BSNL.

(b) The additional financial burden on BSNL due to corporatisation on account of corporate tax, dividend on equity, additional staff costs, excise duty, license fee, spectrum charges, postal charges etc. works out to Rs. 6460 crores during 2002-03 as per details as per Annexure .

(c) At the stage of formation of BSNL, the Govt, haddecided that a package of measures shall be provided to ensure that the viability of BSNL is not impaired because of implementationof socially desirable but uneconomic activity such as, rural telephony, undertaken at the behest of the Government. Accordingly, it had been decided that BSNLbe exempted from payment of dividend on preference equity up to 31.3.04 and quity share capital up to March 31st , 2002. BSNL will alsobe given from 50% and 25% Waiver on dividend due on equity for the years 2002-2003 and 2003-2004. There will be moratorium on repayment of principal and interest up to 31.3.2004 in respect of Govt. loan of Rs. 7500 crore. BSNL is entitled to Concessional Central Sales taxo f 4% on all its procurements. BSNL will be liablet o pay Licence Fee and Spepctrum fee in full. However, these amounstbe set off against reimbursement up to 31.3.2003.

After taking these concessions into account, it is estimated that the additional financial burden on BSNL due to corporatisation during 2002-2003 shall be Rs. 3860 crores. For the entire 10th Plan period, the financial burden shall be about Rs. 40,000 crores. In view of the adverse impact of such a huge financial burden on the viability of BSNL andconsidering its impact on the ability of BSNL to operate the legacy network or achieve the approved targets of 10th Plan, the matter is being reconsidered and Govt. is considering extension of these concessions till the end of 10th plan so as to reduce the financial burden on BSNL due to corporatisation.

ANNEXURE

ESTIMATED ADDITIONAL FINANCIAL BURDEN DUE TO CORPORATISATION DURING 2002-2003

Sl. No	Item	Amount in Crores
1.	Corporate Tax	550
2.	Dividend on Equity	500
3.	Additional Staff Cost	1600

4.	Excise Duty	50
5.	Licence Fee and Spectrum Charges	2600
6.	Postal Charges	80
7	Leave Salary & Pension Contribution	625
8.	Space Segment Charges	305
9.	Additional rates & Taxes	150
Total		6460

(As per IEBR RE 2002-2003)